

Message Text

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21

ACTION EA-09

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INFO AMEMBASSY TOKYO
SECSTATE WASHDC 4560

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E.O. 11652: N/A
TAGS: BDIS, KS
SUBJ: NATIONAL METAL AND STEEL CORP. VS KOREA HEAVY MACHINERY
AND INDUSTRIAL COMPANY

REF: (1) USDOC 18415
(2) USDOC 18897

1. E. BELOKAMAN, TOKYO REPRESENTATIVE OF NATIONAL METAL AND STEEL CORP. (NMSC) CALLED ON EMBOFF DECEMBER 4, 1975, ZAND STATED KOREA HEAVY MACHINERY AND INDUSTRIAL COMPANY (KHMI) HAD FAILED TO FULFILL A CONTRACT FOR PURCHASE OF 12,000 LONG TONS OF SCRAP STEEL FOR 1.2 MILLION DOLLARS BECAUSE PRICE OF SCRAP HAD FALLEN. BELOKAMAN STATED WILLINGNESS TO RENEGOTIATE PRICE HOWEVER, KHMI PRESIDENT KIM YUN KYN IN JAPAN AND NOT AVAILABLE.

2. KHMI RESPONDED TO INITIAL EMBASSY INQUIRY STATING WILLINGNESS TO NEGOTIATE AND REQUESTED BELOKAMAN OR KOREAN REPRESENTATIVE CONTACT THEM. EMBOFF RELAYED MESSAGE TO BELOKAMAN BUT ENSUING TALK DID NOT RESULT IN SETTLEMENT.

3. ON 17 DECEMBER YOON BOK HYUN, MANAGING DIRECTOR AND SIGNATOR OF CONTRACT AND EMBOFF CONTINUED DISCUSSIONS. YOON CLAIMED THE CONTRACT REMAINED VALID AND HE HAD ASSURED BELOKAMAN IT WOULD BE FULFILLED. YOON CLAIMED THAT THE KOREAN EXCHANGE BANK WOULD NOT APPROVE ISSUANCE OF USANCE LETTER OF CREDIT AT A PRICE OF \$98 PER LONG TON FOR NUMBER ONE SCRAP
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BECAUSE COST WAS BEYOND THE ROKG ALLOWABLE DEVIATION FROM CURRENT

MARKET PRICE AND KHMI LINE OF CREDIT WAS EXHAUSTED. YOON CLAIMED IF THE PRICE COULD BE RENEGOTIATED NEARER TO CURRENT MARKET PRICE ADDITIONAL CREDIT WOULD BE FORTHCOMING AS WELL AS KOREAN EXCHANGE BANK APPROVAL OF THE PURCHASE. OTHERWISE YOON SAID THE ISSUANCE OF THE USANCE L/C WOULD NOT BE LIKELY UNTIL THE MARKET PRICE ROSE TO WITHIN ROKG LIMITS PROBABLY IN MARCH 1975.

4. KHMI SAYS IT IS WILLING TO RENEGOTIATE THE PRICE AT ANY TIME. KHMI CLAIMED NEGOTIATIONS BROKE DOWN DUE TO TACTICS USED BY US REPRESENTATIVE BELOKAMAN, SUCH AS ATTEMPTS TO APPLY PRESSURE FROM ROKG MINISTRY OF COMMERCE AND INDUSTRY, THE ECONOMIC PLANNING BOARD AND U.S. EMBASSY AS WELL AS INSPIRING CRITICAL NEWSPAPER ARTICLES. KHMI HAS ALSO BEEN CONTACTED BY KOREAN LAWYER REPRESENTING U.S. FIRM. YOON OF KHMI CLAIMS TO BE GREATLY INSULTED BY THESE TACTICS AND DEMANDS U.S. FIRM DESIGNATE ALTERNATE NEGOTIATOR. YOON IS ALSO CONCERNED WITH BELOKAMAN SUGGESTION NMSC BE ALLOWED TO DELIVERY SCRAP FROM ANY WORLD-WIDE SOURCE. HE MADE THE REASONABLE POINT THAT US SCRAP IS A FAR SUPERIOR PRODUCT AND KOREAN LAW PROHIBITS IMPORTS FROM A NUMBER OF COUNTRIES AND ACTIVELY DISCOURAGES IT FROM SOME OTHERS.

5. POST COMMENTS: AT ISSUE IS THE ABILITY OF KOREAN FIRM TO OBTAIN USANCE L/C WITHIN ROKG POLICY GUIDELINES AS WELL AS REESTABLISHING A LINE OF CREDIT WITH THE KOREA EXCHANGE BANK. KHMI WPPARENTLY REMAINS WILLING TO NEGOTIATE BUT IS ADAMENT IT BE WITH SOME ONE OTHER THAN BELOKAMAN.

6. POST SUGGEST THIS INFORMATION BE PASSED TO NATIONAL METAL AND STEEL CORP., 691 NEW DOCK ST., SAN PEDRO, CAM 90731, TEL: (213) 775-3321 WITH RECOMMENDATION FURTHER NEGOTIATIONS BE HELD BETWEEN NMSC AND KHMI WITH A DIFFERENT NMSC REPRESENTATIVE.

7. DELAY IN THIS REPLY DUE TO NONRECEIPT OF MATERIAL REFERRED TO IN REFTELS.

8. POST WILL CONSIDER COMPLAINT CLOSED UNLESS CONTRARY ADVICE IS RECEIVED FROM USDOC.
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9. UPDATED WTDR UNDER PREPARATION.
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